

VZCZCXRO5962
PP RUEHDBU
DE RUEHMO #1515/01 0951236
ZNY CCCCC ZZH
P 051236Z APR 07
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 8944
INFO RUEHDX/MOSCOW POLITICAL COLLECTIVE PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEHC/DEPT OF AGRICULTURE WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 MOSCOW 001515

SIPDIS

SIPDIS

STATE FOR EUR/RUS - MWARLICK, AHOLMAN, SGUHA AND EB/TPP/BTA
STATE PASS USTR FOR SDONNELLY, LERRION, LMOLNAR
NSC FOR MKLECHESKI, TMCKIBBEN

USDOC FOR 1000/SEC/SECRETARY GUTIERREZ
USDOC FOR 4231/IEP/EUR/JBROUGHER
USDOC FOR 4231/IEP/EUR/MEDWARDS
USDA FOR U/S PENN, OA/ JAFLEMINGS
DOE FOR NE-1: SPURGEON/BROWN
DOE FOR NA-20: WTOBEY/KBAKER/SBLACK/TDETERS/JCONNERY

E.O. 12958: DECL: 03/30/2016
TAGS: [ETRD](#) [ECON](#) [WTO](#) [KIPR](#) [KNNP](#) [RS](#)
SUBJECT: RUSSIA: COMMERCE SECRETARY GUTIERREZ'S APRIL 4
MEETING WITH MINISTER GREF

REF: MOSCOW 1354

Classified By: Ambassador William Burns for Reasons 1.5 (b) and (d).

11. (C) SUMMARY: In an April 4 meeting with Commerce Secretary Gutierrez, Minister of Economic Development and Trade (MEDT) German Gref expressed support for conclusion of a WTO-consistent bilateral uranium suspension agreement that does not discriminate against Russian suppliers. While skirting questions on Russia's bilateral WTO commitment to revoke licenses for optical disk plants located on government-controlled, military-industrial sites and to protect pharmaceutical test data, Gref reported that draft interim regulations for imported encryption technology could be ready soon and that the GOR would definitively lift a temporary tariff on agricultural harvesters by June 30 and potentially a month earlier. Gref highlighted criminal cases against management of pirate website www.AllofMP3.com and administrative actions that have hindered the site's operations, but repeated GOR claims that the registration of the site's domain name in the U.S. prevented Russia from shutting it down.

12. (C) Gref emphasized that the current political window for Russia's WTO accession closes this year, and confirmed President Putin's strong desire that Russia accede during this political cycle. The Minister was optimistic about an eventual Boeing 787 sale to Aeroflot, pledged support for Dow Chemical's proposed investment and International Paper's proposed joint venture with Ilim Pulp, offered to talk to Russian Railways Chairman Yakunin about General Electric's proposed locomotive sale, and confirmed his understanding that Finance Minister Kudrin was following closely developments in GOR legal action against PriceWaterhouseCoopers. Secretary Gutierrez welcomed news that Gref is considering a visit to the U.S. in the second half of the year. End Summary

Uranium Suspension Agreement

13. (C) Secretary Gutierrez informed Minister Gref he would be discussing the bilateral uranium suspension agreement with

Rosatom Director Kiriyenko later in the day, and requested Gref's advice on how to conclude negotiations. Gref praised Kiriyenko's role in reenergizing Rosatom, which plans to spend \$700 million this year and \$2.5 billion next year to build state of the art, safe nuclear power stations and expand capacity. Gref reported that he spoke with Kiriyenko April 3 about the bilateral uranium suspension agreement. While he expressed support for concluding negotiations, he conveyed two concerns reportedly shared by Kiriyenko: that the agreement be fully WTO-compliant and that it not discriminate against Russian suppliers. Assistant Secretary Spooner confirmed the USG view that the agreement, as currently drafted, is indeed WTO-compliant, and undertook to discuss the issue further with Rosatom as well as MEDT experts, who Gref suggested take a more active role in negotiations.

WTO

14. (C) Reiterating USG support for Russia's accession to the WTO as soon as possible, Secretary Gutierrez outlined several ongoing concerns related to Russia's compliance with commitments made in our bilateral market access agreement and corresponding side letters. Namely, we are looking for progress on Russia's pledges to issue interim regulations for imported encryption technology; rescind the temporary tariff on agricultural harvesters in advance of its July 1 expiration; terminate any existing leases for optical disk facilities located on government-controlled, military-industrial sites (RAREs); shut down the pirate website www.AllofMP3.com; and legally establish protection of pharmaceutical test data. The Secretary also reiterated the USG's IPR side letter pledge to step up joint IPR training programs.

MOSCOW 00001515 002 OF 003

15. (C) Responding to specific issues, Minister Gref reported that the GOR has prepared draft interim regulations for imported encryption technology. While reaching interagency agreement has been challenging, Gref hoped to be able to share the draft soon. Gref also reported that a draft GOR resolution to lift the temporary tariff on agricultural harvesters by May 31 was currently in the approval process, but that in any event the tariff will definitively expire on June 30 with no chance of extension. Neglecting to address the termination of leases for optical disk facilities on RAREs, Gref moved on to www.AllofMPp3.com. He said that website management requested a meeting with Gref two weeks ago to discuss their claims to have moved to legal operations and "harassment" by law enforcement, including numerous searches and seizure of website servers. Gref said he planned to grant the meeting.

16. (C) While claiming that Russian law enforcement cannot shut down AllofMP3.com because the site's domain name is registered in the U.S., Gref did point out that several criminal cases are ongoing against former and current website management and that certain administrative measures had been applied to stop the site's operations. He also reported that in the past year GOR agencies had opened six criminal cases against alleged pirate Internet sites and closed seven such sites. Gref said that one of his aides has been working with rightsholders and law enforcement agencies to draft amendments to overarching IPR legislation that would tighten enforcement of IPR in electronic media. Gref emphasized that Russians themselves are increasingly pushing for stronger IP protection, and specifically noted the dangers of counterfeit pharmaceuticals. He neglected to respond on the issue of data protection.

17. (C) Gref thanked the Secretary for his offer to work closely with Russia to conclude multilateral WTO negotiations. He emphasized that the Russian political window for finalizing accession was closing this year in the

face of electoral campaigning and increasing protectionist sentiment. If it does not happen in 2007, he predicted a delay of at least a year. He relayed President Putin's strong desire to complete the process in the current political cycle, and expressed uncertainty about a future administration's attitude toward accession.

ADVOCACY

¶8. (C) Secretary Gutierrez appealed for the Minister's support for Boeing's potential sale to Aeroflot of twenty-two 787 planes; Dow Chemical's proposed investment; International Paper's proposed 50/50 joint venture with Ilim Pulp; General Electric's proposed sale of locomotives to Russia's rail monopoly, RZD; and for fair resolution of legal claims against PriceWaterhouseCoopers (reftel) Gref expressed admiration for Boeing, and predicted that the company's "wise, well-conceived, and well-articulated" strategy of long-term, multifaceted engagement with Russia will bear fruit. In his view, Boeing is winning the competition with Airbus in Russia through work on the Russian Regional Jet, Boeing's Moscow Design Center, and its titanium joint venture. Gref appealed for more time, but predicted that the Boeing sale could happen.

¶9. (C) Gref said he met with Dow's CEO last year, and while he was unfamiliar with current Dow plans, he invited the company to brief his ministry and pledged to be helpful. He reported that he has talked in-depth with International Paper executives about their planned joint venture with Ilim Pulp, and confirmed his support. On GE, Gref said he was scheduled to meet with RZD Chairman Yakunin next week, and would talk with him about any potential problems, including reports that RZD would only consider buying Russian-produced locomotives. He also suggested that GE more actively pursue opportunities in Russia's electric power generation sector, as was Siemens. Finally, Gref confirmed he spoke with Kudrin about the legal action against PriceWaterhouseCoopers, and Kudrin is

MOSCOW 00001515 003 OF 003

following developments closely.

¶10. (C) In closing, Gref made a pitch for attendance by President Bush at the June 8-10 St. Petersburg Economic Forum - the last one of President Putin's tenure - and highlighted Russia's bid to host the 2014 Winter Olympic Games in Sochi. He also mentioned that he may visit the U.S. in the second half of the year, news the Secretary welcomed.

BURNS